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Fresh Tomato for Food Service Industry 2011

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Tomatoes and Products

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Report Highlights:

U.S. fresh tomato export shows great potential to expand in the food service market in Japan. Demand for fresh and cooking tomatoes are increasing, especially among the fast food industry and convenience stores. Most Japanese tomatoes are produced for table consumption and have high gel content, making them unsuitable for use in burgers and sandwiches. The California Tomato Farmers (CTF) recently opened an office in Japan to take advantage of these opportunities. Additionally, the recent Great Earthquake in Eastern Japan impacted local production of processing tomatoes and may impact imports of these products for the foreseeable future.

Executive Summary:

1. Executive Summary

Japanese fast food outlets, hamburger shops, and convenience store sandwiches demand a year round stable supply of fresh tomatoes. However, the market often faces shortages of imported tomatoes during winter season. If the U.S. suppliers can fulfill the demands of the market through a whole year, there is the great potential for increasing in tomato export from the U.S. to Japan.

The California Tomato Farmers (CTF) opened a representative office in Japan in April 2011. The timing of the establishment in the market couldn't have been better. New establishments are opening all the time and Wendy's will be returning to Japan this fall.

General Information:

Table of Contents

1. Executive Summary:

2. Current Market Conditions:

Chart 1 - Japan Tomato Production:

Snap Shots 1: Major Hamburgers Chain Menu

3. Tomato Characteristics

4. Potential for U.S. Tomatoes

Chart 2 - U.S. Tomato Export

Chart 3 - Japan Tomato Import

5. Required Specifications:

6. Impact by the Great Earthquake

Chart 4 – Regional Tomato Production 2010

7. Prospects

8. Tariff Table

Tariff Schedule: Fresh Tomato and Processed Tomato

9. ATO Contact Information

10. Appendix

Chart 5 - Japan Import Processed Tomato Products 1: HS 2002.00

i) Quick Estimation: January – April

ii) Confirmed: January – March

Chart 6 - Japan Import Processed Tomato Products 2: HS 2002.00

iii) Year to Date: January – December, 2008 - 2010

2. Current Market Conditions:

Japan's annual tomato production in 2010 totaled 690,700 metric tons, a decrease of 3.65 % from 2009 and a drop of about 15 % from 2000. A 94.5 % of the total tomato harvest in 2010 was for table consumption. Domestic cooking tomatoes are also included in this category. Only 5.5 % out of the total harvest were destined for processing, mainly for juice production.

Chart 1 - Japan Tomato Production:

Year	Growing area	Harvest	Y-T-Y *	Distributed	Y-T-Y*
Jan-Dec	ha	Ton	%	Ton	%
2000	13,600	806,300		708,500	
2001	13,600	797,800	-1.05	699,800	-1.23
2002	13,300	784,900	-1.62	688,600	-1.60
2003	13,200	759,900	-3.19	669,000	-2.85
2004	13,100	754,900	-0.66	666,000	-0.45
2005	13,000	759,200	0.57	668,100	0.32
2006	12,900	728,300	-4.07	642,200	-3.88
2007	12,700	749,200	2.87	663,800	3.36
2008	12,500	732,800	-2.19	648,300	-2.34
2009	12,400	716,900	-2.17	634,100	-2.19
2010	12,300	690,700	-3.65	612,600	-3.39

* Y-T-Y: year-to-year comparison from previous year

Source: Ministry of Agriculture, Forestry and Fisheries (MAFF)

Most tomatoes in Japan are grown in green houses, while some are field grown only during summer time. Japanese tomato varieties are bred for well-formed appearance and higher sugar content (brix) with high gel content. As such, these tomatoes are not used by the quick service restaurant (QSR) industry as they too sweet for sandwich topping, crush easily under a knife, and are simply too expensive, eating into profit margins.

For example, with 3,302 outlets, McDonald's Japan is the second largest company group in the world as measured by sales and is the biggest in the Japan's HRI industry. However, the company stopped adding tomatoes to its regular burgers and sandwiches due to cost and supply ability. On the other hand, the second biggest hamburger chain, MOS Food Service Inc., promotes their use of 100 % domestic tomato and advertises it as value added food. The company makes contract with domestic famers to grow specific tomatoes throughout the country, and supply those tomatoes to their 1,391 outlets all year around. Regular domestic tomatoes are sold at Japanese Yen 90 – 160 (US\$1.10 – \$2.00) per piece (120 – 200 grams) at the retail.

Snap Shots 1: Major Hamburgers Chain Menu

McDonald Burger Regular Menu	MOS Burger Regular Menu
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Use no tomato for regular menu	Featuring domestic tomato on top

3. Tomato Characteristics

Table tomato production in Japan generates higher profits than other fresh produce. GOJ and regional governments assist farmers to develop and promote new varieties of tomatoes that exhibit higher brix levels. In many ways, the Japanese media has portrayed tomatoes as a gourmet product and consumers tend to seek tomatoes with sweeter taste. These factors encourage domestic farmers to produce juicy sweet tomatoes.



If you slice a typical Japanese table tomato into slices, the fruit is heavy with gel and low in solids. Bread soaks up the excess moisture, creating a soggy sandwich. This is why domestic table tomatoes are not used in QSR's and convenience store sandwiches. In addition, the high price cuts too deeply into store margins, making it unprofitable to use for the food service and prepared meal industry.

Higher solid content tomatoes, for cooking also, have fewer issues than the retail table tomato. For cooking, a majority of the consumers use canned tomatoes that are sold at JPY 80 – 120 (US\$1.00 – \$1.50) per can (400 grams). Almost of canned tomatoes are imported and cost cheaper than fresh tomato in Japan.

4. Potential for U.S. Tomatoes

Japan is the 3rd largest market for U.S. tomatoes after Canada and Mexico. The total quantity of tomato exported from U.S. to Japan in 2010 was 1,731 metric tons, less than 0.3 % of total domestic production in Japan. For Japan, the U.S. is the second biggest tomato supply country next to Korea. Moreover, the imports from Mexico and New Zealand to Japan jumped markedly in 2010.

Higher brix tomatoes spoil faster than lower brix. Lower brix U.S. tomatoes with higher solids can use that as an advantage. U.S. tomatoes are known by Japanese buyers as a good ingredient suitable for hamburgers and sandwiches especially among fast food industry and convenience store industry. Suppliers in California have delivered tomatoes during the summer season, May through November. For the winter months, Japan buyers look to Mexico and New Zealand were to fill up balance of demand.

There is the great potential for increasing in tomato export from the U.S. to Japan, if the U.S. suppliers can fulfill the demands of the market through a whole year.

Chart 2 - U.S. Tomato Export

HS Code 0702 Partner Country	Unit	Thousands Quantity			% Share			% Change 2010/2009
		2008	2009	2010	2008	2009	2010	
World	KG	250961	241791	224279	100.00	100.00	100.00	- 7.24
Canada	KG	204253	181218	190547	81.39	74.95	84.96	5.15
Mexico	KG	43793	57918	29085	17.45	23.95	12.97	- 49.78
Japan	KG	1044	844	1731	0.42	0.35	0.77	105.12
Bahamas	KG	755	706	879	0.30	0.29	0.39	24.56
Trinidad & Tobago	KG	204	210	586	0.08	0.09	0.26	179.26
Guatemala	KG	0	0	358	0.00	0.00	0.16	0.00
Turks & Caicos Islands	KG	71	60	150	0.03	0.02	0.07	148.27
Netherlands Antilles	KG	128	203	121	0.05	0.08	0.05	- 40.22
Bermuda	KG	117	119	116	0.05	0.05	0.05	- 2.16

Source: Global Trade Atlas

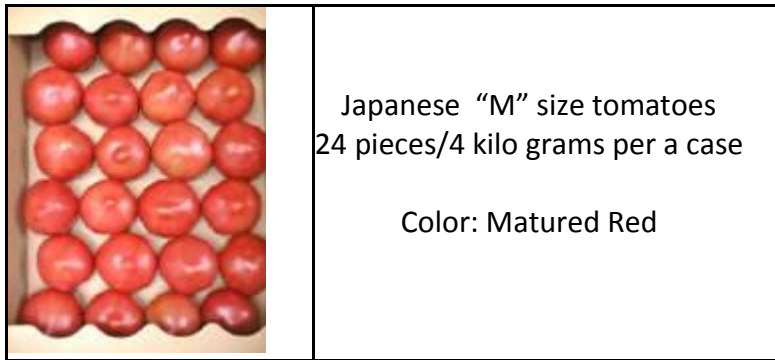
Chart 3 - Japan Tomato Import

HS Code 0702 Partner Country	Unit	Thousands Quantity			% Share			% Change 2010/2009
		2008	2009	2010	2008	2009	2010	
World	KG	1976	2338	2971	100.00	100.00	100.00	27.07
Korea South	KG	604	894	964	30.58	38.23	32.43	7.77
United States	KG	759	788	929	38.39	33.72	31.27	17.84
Mexico	KG	29	38	472	1.48	1.62	15.89	1146.56
New Zealand	KG	76	187	460	3.85	7.98	15.48	146.55
Canada	KG	508	431	146	25.69	18.45	4.93	- 66.05

Source: Global Trade Atlas (Trade Statistics of Japan, Ministry of Finance)

5. Required Specifications:

The Japanese standard carton box is designed for total net weight 4 kilo grams per a case. Generally, an “L” size box contains 20 pieces (5 x 4) of tomatoes, an “M” size contains 24 pieces (6 x 4) and an “S” size contains 28-35 pieces (7 x 4 or 7 x 5) in a case. Japanese importers also accept a two layered, net weight 10 kilo grams (5 kilo grams x 2 layers), case which is available in the U.S. Popular sizes for food service industry are the 5 x 6 (30 pieces) in a case, the 5 x 5 (25 pieces) and the 5 x 4 (20 pieces) in a 5 kilo gram case.



Each Japanese user has own color standard to identify ripening degree. For instance, a famous hamburger chain has a color chart consists of 6 different color levels from green to cardinal red. The company only accepts to buy tomatoes belongs to the level 5 color, matured red.

Air shipment is a most popular delivery method from the U.S. to Japan to maintain quality. The U.S. tomatoes exported by air shipment to Japan can compete with the domestic tomatoes depending on the exchange rate and relative price. The recent strong Yen exchange rate helps the export from U.S. to Japan. An ideal price that end-users are expecting to buy is below JPY 400 (US\$4.80 – \$5.00) per kilo gram after the customs clearance. The domestic tomato prices for food service are JPY 300 – 500 (US\$3.75 – 6.00) per kilo gram. Japanese importers are willing to use ocean shipments that will be able to provide far better price than air shipment. Meantime, the importers recognize quality of the ocean shipments did not satisfy their requirements.



6. Impact by the Great Earthquake

A massive earthquake and subsequent Tsunami hit Japan's north east pacific coastal region on March 11, 2011. The catastrophe devastated cities, towns, and villages of the prefectures located along the coast line. The most affected prefectures are Iwate, Miyagi, Fukushima, and Ibaragi.

Domestic tomato production in Tohoku region has been affected by the catastrophe. The related Fukushima Nuclear accident has influenced tomato production not only in the 4 prefectures but in adjacent prefectures including Tochigi and Gunma.

Total tomato production of the affected 6 (see below chart) prefectures represents 46 % of the total domestic tomato production. In terms of domestic tomato production for processing, total production of the 6 prefectures represents 51.3 % of the Japan.

Chart 4 – Regional Tomato Production 2010

Production	Year total	*1	for process	*2
by Prefecture	ton	%	ton	%
The 6 prefecture total	148,300	46.0	19,444	51.3

Iwate	8,870	2.8	1,280	3.4
Miyagi	7,130	2.2	164	0.4
Fukushima	28,700	8.9	4,120	10.9
Ibaraki	44,800	13.9	10,300	27.2
Tochigi	34,400	10.7	2,290	6.0
Gunma	24,400	7.6	1,290	3.4
Japan total	690,700	100.0	37,900	(*3) 5.5

*1 Composition ratio: Prefecture total/Total national tomato production

*2 Composition ratio: prefecture total/total national tomato production for processing

*3 Composition ratio: 5.5 % = Japan total for processing/Japan total production

Source: MAFF

However, experts note that we must wait until end of this fall in order to identify actual impact on the harvest, and many are predicting that the affect may be limited. Meanwhile, in the short term, recent trade statistics from January through April in 2011 show more than a 28 % increase of the total import of processed tomato products to Japan.
(For details to the chart 5 and 6)

7. Prospects

As mentioned above, there is great potential for increasing tomato exports from the U.S. to Japan, if U.S. suppliers can fulfill the demands of the market throughout the whole year. The QSR's and convenience stores are very particular customers but present a huge opportunity. Japanese importers may help access once they find a year round supply and adequate quality of U.S. tomatoes.

8. Tariff Table

The applicable import duty for fresh tomato and processed tomato products are as follows;

Tariff Schedule: Fresh Tomato and Processed Tomato

Tariff		Fresh tomato and processed tomato	Import Duty rate %		
HS Code	#	Description	General	Temp.	WTO
0702.00	000	Tomato; fresh or chilled	5.0		3.0
2002		Tomatoes; prepared or preserved otherwise than by vinegar or acetic acid			
2002.10	000	tomatoes, whole or in pieces	9.6		9.0
2002.90	100	Other 1: Containing added sugar	22.4		13.4
		Other 2: Tomato puree and tomato paste	20.0		
		Other 2: Tomato puree and tomato paste <ul style="list-style-type: none"> In airtight containers Note; the goods, above mentioned, when used at a bonded manufacturing warehouse for the manufacture of canned fish or shellfish for export and re-exported shall be			16.0

		exempted from customs duty in accordance with the provisions of the Customs Law, Law No. 61, 1954			
	211	-- For the quantity (quota) stipulated for manufacture of tomato ketchup and other tomato sauces by a Cabinet Order, on the basis of the quantity of prospective domestic demand in the coming fiscal year (April-March) with deduction of the consideration of international market situation and other relevant conditions		Free	
	219	--- Other			16.0

The duty is charged on a CIF basis.

Source: Trade Statistics of Japan, Ministry of Finance

9. ATO Contact Information

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10. Appendix

Chart 5 - Japan Import Processed Tomato Products 1: HS 2002.00

- i. Quick Estimation: January – April
- ii. Confirmed: January – March

Japan Import Statistics								
Commodity: 2002, Tomatoes Prepared Or Preserved O/W Than By Vinegar Or Acetic Acid								
Year To Date: January - April								
Partner Country	Unit	Thousands Quantity			% Share			% Change 2011/2010
		2009	2010	2011	2009	2010	2011	
World	KG	59045	57892	74106	100.00	100.00	100.00	28.01

Year To Date: January – March								
Partner Country	Unit	Thousands Quantity			% Share			% Change 2011/2010
		2009	2010	2011	2009	2010	2011	
World	KG	43628	43912	55056	100.00	100.00	100.00	25.38
Italy	KG	19057	19016	22636	43.68	43.31	41.11	19.04
China	KG	8964	10649	13799	20.55	24.25	25.06	29.58
U.S.A.	KG	5547	4966	5538	12.72	11.31	10.06	11.54
Portugal	KG	3739	2881	5531	8.57	6.56	10.05	92.00
Turkey	KG	3905	3369	4163	8.95	7.67	7.56	23.55

Source: Trade Statistics of Japan, Ministry of Finance

Chart 6 - Japan Import Processed Tomato Products 2: HS 2002.00

iii) Year to Date: January – December, 2008 - 2010

Year To Date: January - December								
Partner Country	Unit	Thousands Quantity			% Share			% Change 2010/2009
		2008	2009	2010	2008	2009	2010	
World	KG	206365	189640	200446	100.00	100.00	100.00	5.70
Italy	KG	81093	86148	88781	39.30	45.43	44.29	3.06
China	KG	50229	40900	38492	24.34	21.57	19.20	- 5.89
U.S.A.	KG	20043	21236	22031	9.71	11.20	10.99	3.74
Portugal	KG	16413	13543	18132	7.95	7.14	9.05	33.88
Turkey	KG	20941	14633	17193	10.15	7.72	8.58	17.49
Chile	KG	6562	5238	7930	3.18	2.76	3.96	51.40
Greece	KG	1497	980	1992	0.73	0.52	0.99	103.38
Thailand	KG	1929	2061	1413	0.93	1.09	0.70	- 31.45
Spain	KG	2494	1890	1378	1.21	1.00	0.69	- 27.11
Israel	KG	544	477	826	0.26	0.25	0.41	73.10

Source: Trade Statistics of Japan, Ministry of Finance